



State Board of Regents of the State of Utah

Student Loan Purchase Program

An Enterprise Fund of the State of Utah

Financial Statements

and

Government Auditing Standards Report

For the Year Ended June 30, 2020



STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM
An Enterprise Fund of the State of Utah

Financial Statements
and
Government Auditing Standards Report
For the Year Ended June 30, 2020

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM
AN ENTERPRISE FUND OF THE STATE OF UTAH
FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS:	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	14
REQUIRED SUPPLEMENTARY INFORMATION	45
SUPPLEMENTAL SCHEDULES	49
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	54



Independent Auditor's Report

To the Utah Board of Higher Education,
The UHEAA Audit Committee, and
David R Woolstenhulme, Commissioner of Higher Education
Salt Lake City, Utah

Report on the Financial Statements

We have audited the accompanying statement of net position of the State Board of Regents of the State of Utah Student Loan Purchase Program (the Program), an enterprise fund of the State of Utah, as of June 30, 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of June 30, 2020, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Reporting Entity

As discussed in Note 1, the financial statements of the State Board of Regents of the State of Utah Student Loan Purchase Program, an enterprise fund of the State of Utah, are intended to present the financial position, the changes in financial position and cash flows of only that portion of the State of Utah that is attributable to the transactions of the State Board of Regents of the State of Utah Student Loan Purchase Program. They do not purport to, and do not, present fairly the financial position of the State of Utah, the State Board of Regents of the State of Utah, or Utah Higher Education Assistance Authority as of June 30, 2020 and the changes in their financial position and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9, the Program's Proportionate Share of the Net Pension Liability on page 46, and the Program's Defined Benefit Pension Contribution on page 47 and Note to Required Supplementary Information on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Combining Statement of Net Position, Combining Statement of Revenues, Expenses, and Changes in Net Position, and Combining Statement of Cash Flows (Combining Statements) shown on pages 50 through 53 are presented for purposes of additional analysis and are not a required part of the financial statements.

The Combining Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2020 on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Program's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Salt Lake City, Utah
September 30, 2020

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Management's Discussion and Analysis
For the Year Ended June 30, 2020

Introduction

The following discussion and analysis provides an overview of the financial position and activity of the State Board of Regents of the State of Utah Student Loan Purchase Program (the Program) for the year ended June 30, 2020 with selected comparative information for the year ended June 30, 2019. This discussion and analysis has been prepared by management and should be read in conjunction with the financial statements and footnotes which follow this section.

The Program is an enterprise fund of the State of Utah and was established in 1977 by Utah statute for the purpose of originating, purchasing, and servicing the loans of qualified students.

Financial Highlights

The Program's net position decreased during the fiscal year ended June 30, 2020, with assets and deferred outflows of resources totaling \$1.4 billion and total liabilities and deferred inflows of resources of \$1.1 billion. Net position, which represents the residual interest in the Program's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, decreased by \$1.0 million to \$306.3 million at June 30, 2020.

Using the Financial Statements

The Program's financial report is prepared in accordance with Governmental Accounting Standards Board (GASB) principles and includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The accompanying notes are an integral part of the financial statements.

Each of the financial statements includes combined information for the following funds:

- Short Term Note Fund
- 1993 Revenue Bond Fund
- 2012 Revenue Bond Fund
- 2014 Revenue Bond Fund
- 2015 Revenue Bond Fund
- 2016 Revenue Bond Fund
- 2017 Revenue Bond Fund
- Office Facility Bond Fund

While the various funds of the Program are grouped for convenience, the combined assets are available only in accordance with the applicable bond resolutions, federal and Utah State laws, and other outstanding agreements. Accompanying the financial statements are supplemental schedules which describe the financial activity of the Program by fund.

The Statement of Net Position presents information on all of the Program's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the resulting net

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Management's Discussion and Analysis
For the Year Ended June 30, 2020

position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Program is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Program's net position changed during the fiscal year ended June 30, 2020.

The Statement of Cash Flows reports the cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing activities, capital and related financing activities and investing activities.

Significant sources of the Program's revenues include: interest on student loans and servicing revenue. Significant Program expenses include: interest expense, bond related fees, special allowance on student loans, servicing fees and administrative and operating costs.

Statement of Net Position

The Statement of Net Position presents the financial position of the Program at the end of the fiscal year. A summarized comparison of the Program's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2020 and 2019 is shown below:

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
Assets				
Current assets	\$ 355,679,452	\$ 397,831,601	\$ (42,152,149)	-10.60%
Capital assets	9,052,769	9,637,590	(584,821)	-6.07%
Other noncurrent assets	1,048,586,333	1,182,822,201	(134,235,868)	-11.35%
Total Assets	<u>1,413,318,554</u>	<u>1,590,291,392</u>	<u>(176,972,838)</u>	<u>-11.13%</u>
Deferred Outflows of Resources	<u>592,382</u>	<u>897,126</u>	<u>(304,744)</u>	<u>-33.97%</u>
Liabilities				
Current liabilities	227,260,281	279,166,332	(51,906,051)	-18.59%
Noncurrent liabilities	855,745,395	985,904,431	(130,159,036)	-13.20%
Total Liabilities	<u>1,083,005,676</u>	<u>1,265,070,763</u>	<u>(182,065,087)</u>	<u>-14.39%</u>
Deferred Inflows of Resources	<u>24,609,799</u>	<u>18,821,157</u>	<u>5,788,642</u>	<u>30.76%</u>
Net Position:				
Net Investment in Capital Assets	6,959,911	6,798,237	161,674	2.38%
Restricted	233,550,532	232,938,917	611,615	0.26%
Unrestricted	65,785,018	67,559,444	(1,774,426)	-2.63%
Total Net Position	<u>\$ 306,295,461</u>	<u>\$ 307,296,598</u>	<u>\$ (1,001,137)</u>	<u>-0.33%</u>

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Management's Discussion and Analysis
For the Year Ended June 30, 2020

Financial Analysis

Total Assets – Total assets as of June 30, 2020 were \$1.4 billion, a decrease of \$177.0 million (-11.1%) compared to June 30, 2019. The overall decrease was due to a \$177.3 million (-12.5%) decrease in student loans receivable; a \$4.0 million (12.0%) increase in interest receivable; a \$6.6 million (63.7%) increase in derivative instrument – interest rate swap (which occurred as a result of declining swap rates in the marketplace); and a \$11.8 million (-10.2%) decrease in cash and cash equivalents and funds held by Trustee. The Program received \$212.1 million in principal payments on student loans during the year ended June 30, 2020, a decrease of \$57.4 million (-21.3%) over the prior year.

Total Liabilities – Total liabilities decreased \$182.1 million (-14.4%) compared to June 30, 2019. The overall decrease was primarily due to a \$184.9 million (-14.8%) reduction in bonds and notes payable; and a \$4.8 million (232.6%) increase in special allowance. The Program paid \$184.9 million in principal on student loan revenue bonds and notes during the fiscal year.

Net Position – Net position of the Program decreased \$1.0 million during the year ended June 30, 2020 to \$306.3 million from a beginning balance of \$307.3 million. Net position, contained within the individual bond funds, is restricted in accordance with the provisions of the applicable bond indentures.

Capital Assets – The Program had capital assets of \$18.7 million for the year ended June 30, 2020 pertaining to buildings, furniture, and computer equipment and software. Accumulated depreciation was \$9.6 million and capital asset additions totaled \$564,000, which pertained to building improvements, and computer equipment and software purchases. Additional information regarding the Program's capital assets can be found in Footnote 5 of the financial statements.

Long-Term Debt - The Program had long-term debt consisting of student loan bonds and notes payable of \$854.8 million for the year ended June 30, 2020, which includes unamortized bond premiums and discounts of \$12.4 million. Additional information regarding the Program's long-term debt can be found in Footnote 6 and 8 of the financial statements.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Management's Discussion and Analysis
For the Year Ended June 30, 2020

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the Program's results of operations which are summarized below for the years ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
Operating Revenues				
Interest on student loans	\$ 57,666,208	\$ 68,787,022	\$(11,120,814)	-16.17%
Federal loan servicing revenue	24,176,531	22,291,148	1,885,383	8.46%
Investment income	1,910,372	2,933,193	(1,022,821)	-34.87%
Other revenue	3,419,668	3,274,284	145,384	4.44%
Total operating revenues	<u>87,172,779</u>	<u>97,285,647</u>	<u>(10,112,868)</u>	<u>-10.40%</u>
Operating Expenses				
Interest expense	28,495,953	44,081,094	(15,585,141)	-35.36%
Bond and financing related expense	288,480	302,877	(14,397)	-4.75%
Special allowance	18,503,203	10,759,679	7,743,524	71.97%
Student loan servicing expense	8,539,269	8,823,444	(284,175)	-3.22%
Administrative and operating expense	5,067,854	5,287,231	(219,377)	-4.15%
Federal loan servicing expense	26,929,157	23,969,743	2,959,414	12.35%
Total operating expenses	<u>87,823,916</u>	<u>93,224,068</u>	<u>(5,400,152)</u>	<u>-5.79%</u>
Operating income (loss)	<u>(651,137)</u>	<u>4,061,579</u>	<u>(4,712,716)</u>	<u>-116.03%</u>
Transfer to Utah System of Higher Education	(250,000)	(250,000)	-	-
Transfers - UHEAA Grants	(100,000)	(100,000)	-	-
Change in Net Position	<u>(1,001,137)</u>	<u>3,711,579</u>	<u>(4,712,716)</u>	<u>-126.97%</u>
Net Position - Beginning of Year	<u>307,296,598</u>	<u>303,585,019</u>	<u>3,711,579</u>	<u>1.22%</u>
Net Position - End of Year	<u>\$ 306,295,461</u>	<u>\$ 307,296,598</u>	<u>\$ (1,001,137)</u>	<u>-0.33%</u>

Financial Analysis

Total Operating Revenues – The Program earned \$87.2 million in total operating revenues during the year ended June 30, 2020, a decrease of \$10.1 million (-10.4%) over the previous fiscal year. The overall decrease was due to a decline in interest on student loans of \$11.1 million (-16.2%) (as a result of the decline in the student loan portfolio balance), offset by an increase in federal loan servicing revenue of \$1.9 million (8.5%) (as a result of increased loan volume).

Total Operating Expenses – The Program's total operating expenses for the fiscal year ended June 30, 2020 decreased \$5.4 million (-5.8%) from the prior fiscal year. The overall decrease was due to a decrease in interest expense of \$15.6 million (-35.4%) (as a result of declining interest rates in the marketplace); an increase in special allowance of \$7.7 million (72.0%) (as a result of declining interest rates in the marketplace); and an increase in federal loan servicing expense of \$3.0 million (12.3%).

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Management's Discussion and Analysis
For the Year Ended June 30, 2020

Operating Loss – The Program’s operating loss was \$651,000 during the year ended June 30, 2020. Net interest margins (a ratio of investment and student loan interest income, minus special allowance, to bond interest expense) increased in fiscal year 2020 to 144.1% compared to 138.3% during fiscal year 2019. The Program had a negative return on Net Position of 0.2% in fiscal year 2020 compared to a positive return of 1.3% in fiscal year 2019.

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the Program’s financial results, by reporting the major sources and uses of cash. A summarized comparison for the years ended June 30, 2020 and 2019 is shown below:

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
Cash provided by (used in)				
Operating activities	\$ 203,046,789	\$ 266,643,695	\$ (63,596,906)	-23.85%
Noncapital financing activities	(216,148,057)	(287,366,554)	71,218,497	24.78%
Capital and related financing activities	(641,717)	(406,786)	(234,931)	-57.75%
Investing activities	7,400,442	14,623,377	(7,222,935)	-49.39%
Net decrease in cash and cash equivalents	(6,342,543)	(6,506,268)	163,725	-2.52%
Cash and cash equivalents - Beginning of Year	57,099,436	63,605,704	(6,506,268)	-10.23%
Cash and cash equivalents - End of Year	<u>\$ 50,756,893</u>	<u>\$ 57,099,436</u>	<u>\$ (6,342,543)</u>	<u>-11.11%</u>

The Program’s cash and cash equivalents decreased by \$6.3 million, resulting in a balance of \$50.8 million at June 30, 2020. The net decrease was primarily the result of principal received on student loans and normal pay down of bond interest and principal.

Currently Known Conditions Expected to Have a Significant Effect on Financial Position or Results of Operations

The Program is not aware of any additional facts, decisions or conditions that are expected to have a significant effect on the financial position or results of operations.

The outbreak of the 2019 coronavirus disease (“COVID-19”) was declared a global pandemic by the World Health Organization on March 11, 2020. Responses by public health and governmental authorities to contain and combat its outbreak and spread are on-going. The pandemic has adversely affected workforces, economies, and financial markets globally, including the student loan industry.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of the pandemic on the Program and its financial results will depend on future developments, including the duration and spread of the outbreak and the related impact it may have on student loan borrower confidence, all of which are uncertain at this time.

**STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM**

Management's Discussion and Analysis
For the Year Ended June 30, 2020

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed by Congress and signed by the President on March 27, 2020, provides relief to Federal student loan borrowers in the form of payment forbearance and waiver of interest (in some cases) until December 31, 2020.

As of June 30, 2020, the financial results of the Program were moderately impacted by COVID-19 and payment forbearance granted to student loan borrowers. Borrower payments made during the three month period ended June 30, 2020 decreased by \$14 million (25.9%) over the same three month period ended June 30, 2019.

Congress will periodically reauthorize the Higher Education Act and could enact changes that have a substantial impact on the Program. In addition, the U.S. Department of Education, under the Higher Education Act rule making process, can impose or modify regulations that can have a substantial impact on the Program.

Requests for Information

This financial report is designed to provide a general overview of the State Board of Regents of the State of Utah Student Loan Purchase Program's finances for any interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Deputy Executive Director
Utah Higher Education Assistance Authority
60 South 400 West
Salt Lake City, Utah 84101-1284

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Statement of Net Position
June 30, 2020

ASSETS	
Current Assets	
Cash and cash equivalents (Note 2)	\$ 50,756,893
Funds held by Trustee (Notes 2 and 3)	53,144,051
Receivables	
Student loans (Note 4)	205,653,766
Interest - student loans (Note 4)	37,643,390
Due from counterparty (Note 6)	725,102
Other receivables	6,877,621
Prepaid expenses	878,629
Total Current Assets	<u>355,679,452</u>
Noncurrent Assets	
Student loans receivable (Note 4)	1,031,737,704
Derivative instrument - interest rate swap (Note 6)	16,848,629
Capital assets, less accumulated depreciation of \$9,617,958 (Note 5)	9,052,769
Total Noncurrent Assets	<u>1,057,639,102</u>
TOTAL ASSETS	<u>1,413,318,554</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension expense (Note 12)	592,382
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>592,382</u>
LIABILITIES	
Current Liabilities	
Accounts payable	3,228,526
Special allowance (Note 1)	6,906,031
Payable to affiliate (Note 10)	899,507
Compensated absences (Note 8)	701,012
Other liabilities	1,404
Accrued interest payable (Note 6)	1,573,159
Bonds and notes payable (Notes 6 and 8)	213,950,642
Total Current Liabilities	<u>227,260,281</u>
Noncurrent Liabilities	
Compensated absences (Note 8)	526,972
Net pension liability (Note 12)	447,142
Bonds and notes payable, net of unamortized premiums and discounts of \$12,440,211 (Notes 6 and 8)	854,771,281
Total Noncurrent Liabilities	<u>855,745,395</u>
TOTAL LIABILITIES	<u>1,083,005,676</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred interest rate swap income (Note 6)	16,848,629
Deferred gain on bond refundings (Note 6)	7,399,767
Deferred pension income (Note 12)	361,403
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>24,609,799</u>
NET POSITION	
Net investment in capital assets	6,959,911
Restricted (Note 9)	233,550,532
Unrestricted (Note 9)	65,785,018
TOTAL NET POSITION	<u><u>\$ 306,295,461</u></u>

The accompanying notes are an integral part of these financial statements.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020

OPERATING REVENUES

Interest on student loans (Note 4)	\$ 57,666,208
Federal loan servicing revenue (Note 1)	24,176,531
Investment income (Notes 2 and 3)	1,910,372
Other revenue (Note 10)	3,419,668
Total Operating Revenues	87,172,779

OPERATING EXPENSES

Interest expense (Note 6)	28,495,953
Bond and financing related expense (Note 6)	288,480
Special allowance (Note 1)	18,503,203
Student loan servicing expense	8,539,269
General and administrative expense (Note 10)	3,515,205
Federal loan servicing expense	26,929,157
Depreciation expense (Note 5)	1,149,002
Uninsured claims expense (Note 4)	403,647
Total Operating Expenses	87,823,916

OPERATING LOSS (651,137)

Transfer to Utah System of Higher Education	(250,000)
Transfers - UHEAA Grants	(100,000)

CHANGE IN NET POSITION (1,001,137)

NET POSITION – Beginning of Year	307,296,598
NET POSITION – End of Year	\$ 306,295,461

The accompanying notes are an integral part of these financial statements.

**STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM**

Statement of Cash Flows
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Principal received on student loans	\$ 212,071,403
Interest received on student loans	30,638,417
Special allowance payments	(13,673,701)
Net borrower payments received for (sent to) related funds	(114,059)
Payments received for internal services	2,020,002
Payments for loan purchases	(11,458,477)
Payments for student loan servicing expense	(8,583,763)
Payments for general and administrative expense	(4,266,150)
Payments for federal loan servicing expense	(26,487,393)
Payments received for federal loan servicing revenue	22,944,046
Payments received for rental revenue	827,830
Payments for student loan disbursements	(871,366)
Cash provided by operating activities	<u>203,046,789</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to Utah System of Higher Education	(250,000)
Transfer for UHEAA Grants	(100,000)
Principal paid on bonds and notes	(184,903,835)
Interest paid on bonds and notes	(30,626,467)
Payments for bond related expense	(267,755)
Cash used in noncapital financing activities	<u>(216,148,057)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(641,717)
Cash used in capital and related financing activities	<u>(641,717)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from maturing investments	249,555,011
Interest received on investments	1,921,844
Purchases of investments	(244,076,413)
Cash provided by investing activities	<u>7,400,442</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,342,543)
CASH AND CASH EQUIVALENTS – Beginning of Year	57,099,436
CASH AND CASH EQUIVALENTS – End of Year	<u>\$ 50,756,893</u>

(continued next page)

**STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM**

Statement of Cash Flows
For the Year Ended June 30, 2020

(continued)

RECONCILIATION OF OPERATING LOSS TO CASH
PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$	(651,137)
Adjustments to reconcile loss to net cash provided by operating activities		
Amortization and depreciation		961,485
Interest expense for noncapital and capital financing		28,683,470
Interest revenue from nonoperating investing activities		(1,910,372)
Bond related expense		288,480
Net pension expense		(685,431)
Change in assets/liabilities		
Student loans receivable		177,253,190
Borrower interest receivable		(4,035,698)
Special allowance		4,829,502
Other receivables		(1,448,721)
Prepaid expenses		(104,653)
Accounts payable and payable to affiliate		(133,326)
		(133,326)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	203,046,789

The accompanying notes are an integral part of these financial statements.

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The State Board of Regents of the State of Utah Student Loan Purchase Program (the Program), an enterprise fund of the State of Utah, was formed in 1977, as a separate program of the State Board of Regents of the State of Utah for the purpose of originating, purchasing, and servicing the loans of qualified students. Bonds issued by the Program are not general obligations of the State of Utah.

Effective July 1, 2020, the State Board of Regents of the State of Utah changed its name to the Utah Board of Higher Education (the Board). The Program continues as a separate program of the Board.

Fund Accounting – The Program maintains accounting records under the fund accounting concept. The funds are separate sets of self-balancing accounts set up in accordance with the authorizing acts, and bond indentures. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Program’s general policy to use restricted resources first. The following funds are administered by the Program:

- Short-Term Note Fund – Unencumbered funds generated by various financing facilities and transfers authorized by the Board in accordance with bond indenture provisions are maintained in this fund. The Program utilizes a portion of these funds to purchase student loans. Payments, including principal and interest on student loans held by this fund, are deposited in this fund and are used to purchase student loans and pay operating expenses. Program funds designated to meet future collateral and operating requirements and other Program needs are held as investments. The net position of this fund is reported as unrestricted.
- 1993 Revenue Bond Fund – Proceeds from revenue bond issuances under the General Student Loan Program Indenture dated August 1, 1993 and Supplemental Indentures are recorded in this fund. Outstanding issuances include Series 1999 O, Series 2001 R, Series 2001 S, Series 2006 DD, and Series 2010 EE Bonds, and Series 2011-1 Notes. Proceeds are used to pay bond issuance costs, and establish trustee funds as required by the General Indenture. Principal and interest payments on student loans purchased with bond proceeds, and other revenues are deposited in this fund and are used for debt service of the bonds, and operating expenses in accordance with the provisions of the General Indenture. The net position of this fund is reported as restricted.
- 2012 Revenue Bond Fund – Proceeds from revenue bond issuance under the General Student Loan Program Indenture dated October 1, 2012 are recorded in this fund. Outstanding issuances include Series 2012-1 Notes. Proceeds are used to retire outstanding funding notes, and establish trustee funds as required by the General Indenture. Principal and interest payments on student loans purchased with bond proceeds, and other revenues are deposited in this fund and are used for debt service of the bonds, and operating

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

expenses in accordance with the provisions of the General Indenture. The net position of this fund is reported as restricted.

- 2014 Revenue Bond Fund – Proceeds from revenue bond issuance under the General Student Loan Program Indenture dated July 1, 2014 are recorded in this fund. Outstanding issuances include Series 2014-1 Notes. Proceeds are used to retire outstanding revenue bonds, and establish trustee funds as required by the General Indenture. Principal and interest payments on student loans purchased with bond proceeds, and other revenues are deposited in this fund and are used for debt service of the bonds, and operating expenses in accordance with the provisions of the General Indenture. The net position of this fund is reported as restricted.
- 2015 Revenue Bond Fund – Proceeds from revenue bond issuance under the General Student Loan Program Indenture dated June 1, 2015 are recorded in this fund. Outstanding issuances include Series 2015-1 Notes. Proceeds are used to retire outstanding advances, establish trustee funds as required by the General Indenture, and pay cost of issuance. Principal and interest payments on student loans purchased with bond proceeds, and other revenues are deposited in this fund and are used for debt service of the bonds, and operating expenses in accordance with the provisions of the General Indenture. The net position of this fund is reported as restricted.
- 2016 Revenue Bond Fund – Proceeds from revenue bond issuance under the General Student Loan Program Indenture dated October 1, 2016 are recorded in this fund. Outstanding issuances include Series 2016-1 Notes. Proceeds are used to retire outstanding advances, establish trustee funds as required by the General Indenture, and pay cost of issuance. Principal and interest payments on student loans purchased with bond proceeds, and other revenues are deposited in this fund and are used for debt service of the bonds, and operating expenses in accordance with the provisions of the General Indenture. The net position of this fund is reported as restricted.
- 2017 Revenue Bond Fund – Proceeds from revenue bond issuance under the General Student Loan Program Indenture dated February 1, 2017 are recorded in this fund. Outstanding issuances include Series 2017-1 Notes. Proceeds are used to retire outstanding advances, establish trustee funds as required by the General Indenture, and pay cost of issuance. Principal and interest payments on student loans purchased with bond proceeds, and other revenues are deposited in this fund and are used for debt service of the bonds, and operating expenses in accordance with the provisions of the General Indenture. The net position of this fund is reported as restricted.
- Office Facility Bond Fund – Proceeds from the revenue bond issuance under the State Board of Regents Revenue Refunding Bonds Indenture dated May 1, 2012 are recorded in this fund. Proceeds are used to pay cost of issuance and refund outstanding revenue bonds. Funds within the Board of Regents budget that would otherwise be expended for rent will

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

be deposited in this fund and will be used for debt service of the bonds and operating expenses, in accordance with the provisions of the General Indenture. The net position of this fund is reported as restricted.

Basis of Accounting – The Program follows all applicable Governmental Accounting Standards Board pronouncements. Also, the accounting and reporting policies of the Program conform with generally accepted accounting principles and follow the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. The Program’s funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the Program are included on the Statement of Net Position.

Student Loans Receivable – Student loan receivables are carried at their unpaid principal balance adjusted for an allowance for loan losses and unamortized loan premiums. Loan premiums are amortized as a reduction to interest income using the straight-line method over a seven year period. Substantially all of the Program’s student loans receivable serve as collateral for the Program’s bonds and notes payable.

Allowance for Uninsured Claims – An allowance for uninsured claims has been established to recognize the estimated uninsured portion of future federally insured claim payments to be made to the Program. Insurance on defaulted student loans is paid at a 100% rate for loans which were first disbursed prior to October 1, 1993, a 98% rate for loans which were first disbursed between October 1, 1993 and June 30, 2006 and at a 97% rate for loans which were first disbursed after June 30, 2006. Insurance on non-default claims (primarily bankruptcy, death, or disability) is paid at a rate of 100%.

Interest on Student Loans – The Federal Government makes quarterly interest payments on federally insured subsidized student loans during the period students attend school, grace periods, and during certain other permitted deferment periods. During repayment and forbearance periods, interest is paid by the borrower. For federally insured unsubsidized loans, interest is paid by the borrower during all status periods. Interest on student loans is accrued as earned.

Special Allowance – Federal legislation provides for a special allowance payment for lenders participating in the Student Loan Guarantee Program. The amount of special allowance that is payable on an eligible loan is determined by multiplying the average daily balance of principal and capitalized interest on the loan by the applicable special allowance rate. The rates for special allowance payments are based on formulas that differ according to the type of the loan, the date the loan was first disbursed, and the interest rate. The rate of special allowance payments is based on the bond equivalent 91 day T-Bill rate or the 1-month LIBOR index, depending on the characteristics of the loan.

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

Under the 2005 Higher Education Reconciliation Act Amendments, for certain loans first disbursed on or after April 1, 2006, if the interest on such loan at the stated interest rate is higher than the special allowance support level (1-month LIBOR rate plus a percentage determined by the U.S. Department of Education) to such loan, including Special Allowance Payments, the holder of the loan must repay the difference to the United States Government at least annually.

Federal Loan Servicing Revenue – The Federal Government makes monthly payments to the Program for loans serviced based on a contract fee schedule. Also, a third-party client makes monthly payments to the Program for student loan documents processed based on a contract fee schedule.

Capital Assets – Capital assets are stated at cost – net of accumulated depreciation. The Program capitalizes assets that exceed a \$5,000 threshold and have an estimated useful life greater than one year. Using the straight-line method, depreciation is provided over the estimated useful lives, ranging from three to ten years for furniture, equipment, and software and forty years for buildings. The Program reviews capital assets for continued useful life and lack of impairment. Based on this review, there was no impairment at June 30, 2020.

Bond Discount and Premium – Discounts and premiums on the sale of bonds are deferred and amortized over the lives of the respective maturities of outstanding bonds using a method that approximates the effective interest method of amortization.

Bond Issuance Costs – Bond issuance costs are expensed in the period incurred in accordance with Statement 65 of the Governmental Accounting Standards Board.

Operating and Nonoperating Income – The Program distinguishes operating revenues and expenses from nonoperating items. The Program includes, within the operating income section, those revenues generated and expenses incurred that are related to the Program's principal ongoing operations and revenues and expenses related to the Program's Office Facility. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Statement of Cash Flows – For purposes of the Statement of Cash Flows, cash and cash equivalents include checking accounts and short-term investments in the Utah Public Treasurers' Investment Fund, excluding those held by the Trustee.

Deferred Outflows and Inflows of Resources – In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Program has items which qualify for reporting in this category. The Program reports unrecognized expenses from outflows related to pensions. These

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

amounts are deferred and recognized as an outflow of resources in the period that the amounts become payable.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Program has items which qualify for reporting in this category. The Program reports deferred interest rate swap income, deferred gain on bond purchases, and inflows related to pensions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions – For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems’ (the System) pension plan and additions to / deductions from the System fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS AND FUNDS HELD BY TRUSTEE

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) that relate to the deposit and investment of public funds.

The Program follows the requirements of the Money Management Act (the Act) in handling its depository and investment transactions. The Act requires the depositing of Program funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Money Management Council.

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

Investments – The Act also defines the types of securities authorized as appropriate investments for the Program and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. The Act authorizes the Program to invest in:

- Negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories.
- Repurchase and reverse repurchase agreements.
- Commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations.
- Bankers’ acceptances.
- Obligations of the United States Treasury, including bills, notes, and bonds.
- Obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae).
- Bonds, notes, and other evidence of indebtedness of political subdivisions of the State.
- Fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations.
- Shares or certificates in a money market mutual fund as defined in the Act.
- The Utah Public Treasurers’ Investment Fund (PTIF).

Investments are recorded at fair value in accordance with Statement 72 of the Governmental Accounting Standards Board which pertains to Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease in investment assets and investment income.

Additionally, the Program follows the fair value measurement guidelines established by generally accepted accounting principles which recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices;
- Level 3: Unobservable inputs.

The Program’s investments are classified as follows:

- Investments in mutual funds and government securities are Level 1 and are valued using prices quoted in active markets for those securities.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

- Investments in PTIF are Level 2 and are valued using PTIF calculated fair value factors applied to average daily balances in the funds.

At June 30, 2020, the Program’s investments and the related maturities are listed below:

<u>Investments</u>	Fair <u>Value</u>	<u>Investment Maturities (in years)</u>	
		Less than <u>one year</u>	<u>1 to 5 years</u>
Mutual Funds	\$ 51,491,469	\$ 51,491,469	\$ -
Public Treasurers’ Investment Fund	49,735,293	49,735,293	-
U.S. Government Securities	812,289	-	812,289
Total Investments	<u>\$ 102,039,051</u>	<u>\$ 101,226,762</u>	<u>\$ 812,289</u>

Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment. The Program’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity for certain allowed investments. Details can be obtained by reading *Utah Code* Section 51-7-11. At June 30, 2020, the Program’s investments in the PTIF had an average maturity of less than one year.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Program’s policy for reducing its exposure to credit risk is to comply with the Act as previously discussed. At June 30, 2020, the Program had \$51,491,469 invested in mutual funds with a AAA rating and \$49,735,293 invested in the Public Treasurers’ Investment Fund that were not rated by any nationally recognized statistical rating organization registered with the Securities and Exchange Commission (SEC).

Custodial Credit Risk (Deposits) – The risk that, in the event of a bank failure, the Program’s deposits not covered by depository insurance may not be returned. The Program follows the requirements of the Act regarding bank deposits. Subject to the application of the bank and FDIC rules and regulations, FDIC insurance is provided for the Program’s bank deposits up to \$250,000 for each bank utilized. As of June 30, 2020, \$657,989 of the Program’s bank balances of \$907,989 was uninsured.

Public Treasurers’ Investment Fund – The Utah State Treasurer’s Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

**STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM**

Notes to the Financial Statements
For the Year Ended June 30, 2020

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

3. REVENUE BOND FUNDS

The bond indenture agreements require that certain trust funds be established to collateralize the debt. The following is a summary of cash and investments held by the respective revenue bond funds at June 30, 2020:

1993 Revenue Bond Fund:

Revenue Account	\$ 31,800,532
Reserve Account	1,902,827
Operating Account	<u>261,083</u>
Total 1993 Revenue Bond Fund	<u><u>\$ 33,964,442</u></u>

2012 Revenue Bond Fund:

Collection Account	\$ 1,490,629
Special Allowance Rebate Account	601,034
Reserve Account	<u>778,050</u>
Total 2012 Revenue Bond Fund	<u><u>\$ 2,869,713</u></u>

2014 Revenue Bond Fund:

Collection Account	\$ 1,373,673
Special Allowance Rebate Account	205,489
Reserve Account	<u>415,500</u>
Total 2014 Revenue Bond Fund	<u><u>\$ 1,994,662</u></u>

2015 Revenue Bond Fund:

Collection Account	\$ 2,227,127
Special Allowance Rebate Account	746,657
Reserve Account	<u>623,250</u>
Total 2015 Revenue Bond Fund	<u><u>\$ 3,597,034</u></u>

**STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM**

Notes to the Financial Statements
For the Year Ended June 30, 2020

2016 Revenue Bond Fund:

Collection Account	\$ 3,128,090
Special Allowance Rebate Account	1,116,691
Reserve Account	1,130,625
Total 2016 Revenue Bond Fund	\$ 5,375,406

2017 Revenue Bond Fund:

Collection Account	\$ 2,814,870
Special Allowance Rebate Account	1,057,630
Reserve Account	630,000
Total 2017 Revenue Bond Fund	\$ 4,502,500

Office Facility Bond Fund:

Revenue Account	\$ 18,128
Debt Service Account	822,166
Total Office Facility Bond Fund	\$ 840,294

Grand Total	\$ 53,144,051
--------------------	----------------------

4. STUDENT LOANS RECEIVABLE

Student loans receivable carry variable interest rates or have fixed rates ranging from 0% to 11%. The loans were made to students enrolled or accepted for enrollment at an eligible institution of higher education on at least a half-time basis. Six to twelve months after termination of at least a half-time academic work load, the borrower is required to commence repayment on the loan. Monthly repayment amounts and the length of the repayment period are determined by the amount to be repaid; however, the maximum length of repayment is ten years for Stafford loans and up to thirty years for consolidation loans from the due date of the first payment, exclusive of authorized periods of deferment, forbearance, or income-based repayment plans.

Student loans are guaranteed with respect to principal and accrued interest by agreements with various state guarantee agencies, including the Utah Student Loan Guarantee Program, another program of the Utah Board of Higher Education.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

The following is a summary of the status of student loans receivable at June 30, 2020:

	Student and Deferment	Repayment and Forbearance	Unamortized Premiums	Student Loan Receivable Allowance	Total
Short-Term Note Fund	\$ 339,907	\$ 12,787,358	\$ -	\$ (535,193)	\$ 12,592,072
1993 Revenue Bond Fund	10,721,420	331,977,191	-	(2,193,583)	340,505,028
2012 Revenue Bond Fund	9,561,262	142,551,246	-	(661,488)	151,451,020
2014 Revenue Bond Fund	4,919,894	117,419,016	-	(554,156)	121,784,754
2015 Revenue Bond Fund	10,863,197	138,084,911	3,338,802	(720,527)	151,566,383
2016 Revenue Bond Fund	16,833,930	209,105,209	4,860,072	(1,050,806)	229,748,405
2017 Revenue Bond Fund	14,699,440	211,385,909	4,708,696	(1,050,237)	229,743,808
Total	<u>\$ 67,939,050</u>	<u>\$ 1,163,310,840</u>	<u>\$ 12,907,570</u>	<u>\$ (6,765,990)</u>	<u>\$ 1,237,391,470</u>

Insurance on defaulted student loans is paid at a 100% rate for loans which were first disbursed prior to October 1, 1993, a 98% rate for loans which were first disbursed between October 1, 1993 and June 30, 2006 and at a 97 % rate for loans which were first disbursed after June 30, 2006. Insurance on non-default claims (primarily bankruptcy, death, or disability) is paid at a rate of 100%. At June 30, 2020, the Program has established a student loan receivable allowance of \$6,765,990.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings	\$ 13,435,983	\$ 34,664	\$ -	\$ 13,470,647
Furniture and equipment	721,066	37,179	-	758,245
Computer equipment and software	4,286,974	492,338	(337,477)	4,441,835
Totals at historical cost	<u>18,444,023</u>	<u>564,181</u>	<u>(337,477)</u>	<u>18,670,727</u>
Less accumulated depreciation for:				
Buildings	(5,639,076)	(436,435)	-	(6,075,511)
Furniture and equipment	(407,412)	(112,357)	-	(519,769)
Computer equipment and software	(2,759,945)	(600,210)	337,477	(3,022,678)
Total accumulated depreciation	<u>(8,806,433)</u>	<u>(1,149,002)</u>	<u>337,477</u>	<u>(9,617,958)</u>
Capital Assets, net	<u>\$ 9,637,590</u>	<u>\$ (584,821)</u>	<u>\$ -</u>	<u>\$ 9,052,769</u>

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

6. BONDS AND NOTES PAYABLE

1993 Revenue Bond Fund – The Program has outstanding student loan revenue bonds and student loan backed notes under the authority of the 1993 General Indenture. The bonds and notes are limited obligations of the Board and are secured, as provided in the indentures, by all assets of the 1993 Revenue Bond Fund and the revenues and receipts derived from such assets.

The indenture provides that bonds and notes of each series must be designated a priority or priorities by class, with Class I constituting the highest priority under the indenture and priority decreasing by increasing class roman numeral. Priority with respect to payment of bonds and notes at any particular time and exercise of various rights and remedies is based upon the class of the bonds and notes in descending order of priority.

The indenture provides that a periodic analysis of cash receipts must be performed. Cash receipts remaining after the payment of bond costs, program related expenses, and administrative expenses must be used to reduce bonds and notes principal.

Bonds and notes payable for the 1993 Revenue Bond Fund consisted of the following at June 30, 2020:

<u>Issue</u>	<u>Final Maturity Date</u>	<u>Class (Priority)</u>	<u>Interest Rate Type</u>	<u>Balance</u>
2010 Series EE	11/1/2030	I	Fixed	\$ 146,300,000
2011-1	5/31/2035	I	3-Month LIBOR plus spread	67,911,000
1999 Series O	11/1/2038	II	Auction - 28 days	10,000,000
2001 Series R	11/1/2040	II	Auction - 28 days	3,500,000
2001 Series S	5/1/2041	II	Auction - 28 days	8,100,000
2006 Series DD	5/1/2046	II	Auction - 28 days	17,500,000
Total				<u>\$ 253,311,000</u>

Debt service forecasts to maturity on the 1993 revenue bond issue as of June 30, 2020, are summarized below:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2021	\$ 70,700,000	\$ 4,204,453
2022	42,800,000	3,120,709
2023	45,000,000	2,309,631
2024	42,800,000	1,511,564
2025	37,911,000	716,467
2026	14,100,000	921,199
Total	<u>\$ 253,311,000</u>	<u>\$ 12,784,023</u>

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

The debt service interest rate forecasts are calculated using the interest rates in effect at June 30, 2020. Actual results could differ from these estimates.

The Series 2010 EE-2 Bonds maturing on November 1, 2026 and November 1, 2030 are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof (without premium) and accrued interest to the redemption date, on the dates and in the principal amounts set forth below:

Redemption Date (November 1)	Amount
2025	\$ 3,700,000
2026*	13,200,000
2028	10,800,000
2029	6,500,000
2030*	5,900,000
Total	<u>\$ 40,100,000</u>

*Maturity

For the year ended June 30, 2020, there were insufficient clearing bids on all of the Program's bonds in which interest rates are set by auction procedure (ARCs). Interest on these bonds will be calculated at the maximum rate. In general, the maximum rate is indexed to either the average 30-day T-bill or the 30-day LIBOR, subject to an 18% maximum. The taxable maximum rate during the year ended June 30, 2020 ranged from 0% to 18%.

The bonds and notes issued under the 1993 Trust Estate are limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The bonds and notes were issued to finance eligible student loans, and refund certain outstanding student loan revenue bonds. The refunding resulted in a deferred gain on bond purchases. At June 30, 2020, the unamortized deferred gain on bond purchases was \$6,533,810. The Trust Estate consists of student loans acquired under the indenture, all proceeds of the bonds and notes, and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay \$253,311,000 of outstanding student loan revenue bonds and student loan backed notes which are payable through fiscal year 2046. Principal and interest paid for the current year and total net revenues before interest expense were \$48,288,901 and \$7,016,267, respectively.

The bonds and notes outstanding under the 1993 General Indenture are secured by a pledge of the student loans and other assets of the 1993 Revenue Bond Fund. The 1993 General Indenture contains provision governing events of default and remedies, including the possible remedy of acceleration of amounts due under such bonds and notes in certain circumstances and the disposition of assets following events of default.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

Derivative Instrument – On December 30, 2010 the Board issued the Series 2010 EE Bonds for the purpose of refinancing certain outstanding bonds in the 1993 indenture. As part of this issuance, the Board entered into an interest rate exchange (swap) agreement relating to the Board’s student loan revenue bonds, Series 2010 EE (the “Series 2010 Bonds”) on December 21, 2010. The purpose of the swap is to create a variable rate cost of funds for the Series 2010 Bonds that will be lower than the variable rate cost achievable in the cash bond market. The Program accounts for the swap agreement as a fair value hedging derivative instrument and recognizes changes in fair values on the statement of net position as an asset or liability with a related deferred inflows or outflows of resources respectively. The terms of the swap agreement include:

Trade Date:	December 21, 2010
Effective Date:	December 30, 2010
Termination Date:	November 1, 2030
Initial Notional Amount:	\$364,150,000
June 30, 2020 Notional Amount:	\$146,300,000
Board Pays Floating:	3-Month LIBOR + 1.64905%
Counterparty Pays Fixed:	Stepped fixed rates ranging from 4.664% to 5.000%
Payment Dates:	The 1 st day of May and November

Changes in the fair value of the swap agreement and the ending fair value of the swap agreement are summarized below:

<u>Derivative</u>	<u>Fair Value at 6/30/2019</u>	<u>Change in Fair Value</u>	<u>Fair Value at 6/30/2020</u>
Interest Rate Exchange	\$ 10,293,345	\$ 6,555,284	\$ 16,848,629

The projected net cash flows of the swap agreement are summarized below:

<u>Fiscal Year</u>	<u>Counterparty Swap Payment</u>			<u>Interest Payments to Bondholders</u>	<u>Total Payments</u>
	<u>To</u>	<u>From</u>	<u>Net</u>		
2021	\$ (2,983,346)	\$ 7,583,333	\$ 4,599,987	\$ (7,583,333)	\$ (2,983,346)
2022	(1,851,398)	4,733,333	2,881,935	(4,733,333)	(1,851,398)
2023	(1,135,611)	2,903,334	1,767,723	(2,903,334)	(1,135,611)
2024	(245,418)	630,000	384,582	(630,000)	(245,418)
Total	<u>\$ (6,215,773)</u>	<u>\$ 15,850,000</u>	<u>\$ 9,634,227</u>	<u>\$ (15,850,000)</u>	<u>\$ (6,215,773)</u>

Swaps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair market value was calculated using information obtained from generally recognized sources with respect to quotations, reporting of specific transactions and market conditions and based on accepted industry standards and methodologies. The swap

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

agreement is considered to be Level 3 for GASB 72 purposes (the different levels are discussed in Footnote 2).

- Credit Risk – The risk of a change in the credit quality or credit rating of the Board and/or its counterparty. The counterparty’s long-term ratings are “A2/Aa2”, “AA-/A+” and “AA/AA-” by Moody’s Investors Service, Standard & Poor’s, and Fitch Ratings, respectively.

The Board is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Board’s policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparties’ short-term and long-term credit ratings fall below “A-1” and “A,” respectively, as issued by Standard & Poor’s or below “Prime-1” and “A2,” respectively, as issued by Moody’s Investors Service. Collateral posted is to be in the form of cash, U.S. Treasury securities or agency securities held by a third-party custodian. The Board has never failed to access collateral when required.

It is the Board’s policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions’ fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

- Interest Rate Risk – The risk that the debt service costs associated with variable rate debt increases and negatively affects coverage ratios and cash flow margins. The Board is exposed to interest rate risk; as the 3-month LIBOR rate increases, the net payment on the swap agreement increases.
- Basis Risk – The risk that arises when variable rates or prices of a swap agreement and a hedged item are based on different interest rate indexes. Because the swap agreement requires the Board to pay a variable rate to the counterparty and is receiving a fixed rate payment in return, basis risk is not applicable.
- Termination Risk – The risk that the swap must be terminated prior to its stated final cash flow date. Purposes for termination include the deterioration of the Board’s own credit, and the inability of the Board to obtain a replacement transaction with substantially similar terms. In such a circumstance, the Board would owe, or be owed, a termination payment. No termination events related to the swap agreement have occurred as of June 30, 2020.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

- Rollover Risk – The risk that the maturity of the swap contract is not coterminous with the maturity of the related bonds. The swap agreement and the underlying bonds have a final maturity date of November 1, 2030.

2012 Revenue Bond Fund – The Program has outstanding student loan backed notes under the authority of the 2012 General Indenture. The notes are limited obligations of the Board and are secured, as provided in the indentures, by all assets of the 2012 Revenue Bond Fund and the revenues and receipts derived from such assets.

The indenture provides that a periodic analysis of cash receipts must be performed. Cash receipts remaining after the payment of bond costs, program related expenses, and administrative expenses must be used to reduce bond principal.

Notes payable for the 2012 Revenue Bond Fund consisted of the following at June 30, 2020:

Issue	Final Maturity Date	Interest Rate Type	Balance
2012-1	12/26/2031	1-Month LIBOR plus 0.75%	\$ 132,942,336

Debt Service forecasts to maturity on the Series 2012-1 Notes as of June 30, 2020, are summarized below:

Fiscal Year	Principal Amount	Interest Amount
2021	\$ 25,350,344	\$ 1,112,561
2022	25,660,071	862,732
2023	24,665,047	631,228
2024	18,742,192	431,668
2025	17,469,069	267,231
2026-2027	21,055,613	114,108
Total	\$ 132,942,336	\$ 3,419,528

The debt service interest rate forecasts are calculated using the interest rates in effect at June 30, 2020. Actual results could differ from these estimates.

The Series 2012-1 Notes are subject to an optional prepayment of the notes when the Student Loan Pool Balance is 10% or less than the initial Student Loan Pool Balance.

The notes issued under the 2012 Trust Estate are special limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The notes were issued

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

to refinance eligible student loans and retire outstanding funding notes of the Board. The Trust Estate consists of student loans acquired under the indenture, all proceeds of the notes and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay \$132,942,336 of outstanding student loan backed notes which are payable through fiscal year 2032. Principal and interest paid for the current year and total net revenues before interest expense were \$24,727,016 and \$3,741,941, respectively.

The notes outstanding under the 2012 General Indenture are secured by a pledge of the student loans and other assets of the 2012 Revenue Bond Fund. The 2012 General Indenture contains provision governing events of default and remedies, including the possible remedy of acceleration of amounts due under such notes in certain circumstances and the disposition of assets following events of default.

2014 Revenue Bond Fund – The Program has outstanding student loan backed notes under the authority of the 2014 General Indenture. The notes are limited obligations of the Board and are secured, as provided in the indentures, by all assets of the 2014 Revenue Bond Fund and the revenues and receipts derived from such assets.

The indenture provides that a periodic analysis of cash receipts must be performed. Cash receipts remaining after the payment of bond costs, program related expenses, and administrative expenses must be used to reduce bond principal.

Notes payable for the 2014 Revenue Bond Fund consisted of the following at June 30, 2020:

Issue	Final Maturity Date	Interest Rate Type	Balance
2014-1	12/26/2038	1-Month LIBOR plus 0.55%	\$ 100,597,602

Debt Service forecasts to maturity on the Series 2014-1 Notes as of June 30, 2020, are summarized below:

Fiscal Year	Principal Amount	Interest Amount
2021	\$ 14,224,648	\$ 676,567
2022	14,087,089	568,036
2023	13,764,146	467,642
2024	11,092,930	378,065
2025	10,587,277	300,703
2026-2030	36,841,512	519,902
Total	\$ 100,597,602	\$ 2,910,915

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

The debt service interest rate forecasts are calculated using the interest rates in effect at June 30, 2020. Actual results could differ from these estimates.

The Series 2014-1 Notes are subject to an optional prepayment of the notes when the Student Loan Pool Balance is 10% or less than the initial Student Loan Pool Balance.

The notes issued under the 2014 Trust Estate are special limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The notes were issued to retire outstanding student loan revenue bonds of the Board, resulting in a deferred gain on bond purchases. At June 30, 2020, the unamortized deferred gain on bond purchases was \$865,957. The Trust Estate consists of student loans acquired under the indenture, all proceeds of the notes and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay \$100,597,602 of outstanding student loan backed notes which are payable through fiscal year 2039. Principal and interest paid for the current year and total net revenues before interest expense were \$17,633,388 and \$3,359,519, respectively.

The notes outstanding under the 2014 General Indenture are secured by a pledge of the student loans and other assets of the 2014 Revenue Bond Fund. The 2014 General Indenture contains provision governing events of default and remedies, including the possible remedy of acceleration of amounts due under such notes in certain circumstances and the disposition of assets following events of default.

2015 Revenue Bond Fund – The Program has outstanding student loan backed notes under the authority of the 2015 General Indenture. The notes are limited obligations of the Board and are secured, as provided in the indentures, by all assets of the 2015 Revenue Bond Fund and the revenues and receipts derived from such assets.

The indenture provides that a periodic analysis of cash receipts must be performed. Cash receipts remaining after the payment of bond costs, program related expenses, and administrative expenses must be used to reduce bond principal.

Notes payable for the 2015 Revenue Bond Fund consisted of the following at June 30, 2020:

<u>Issue</u>	<u>Final Maturity Date</u>	<u>Interest Rate Type</u>	<u>Balance</u>
2015-1 A	2/25/2043	1-Month LIBOR plus 0.60%	\$ 130,229,995
2015-1 B	5/25/2043	1-Month LIBOR plus 1.50%	10,850,000
Total			<u>\$ 141,079,995</u>

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

Debt Service forecasts to maturity on the Series 2015-1 Notes as of June 30, 2020, are summarized below:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2021	\$ 26,853,249	\$ 1,065,170
2022	26,509,058	830,275
2023	24,984,183	614,645
2024	18,483,148	438,126
2025	17,674,426	269,561
2026-2027	26,575,931	165,127
Total	<u>\$ 141,079,995</u>	<u>\$ 3,382,904</u>

The debt service interest rate forecasts are calculated using the interest rates in effect at June 30, 2020. Actual results could differ from these estimates.

The Series 2015-1 Notes are subject to an optional prepayment of the notes when the Student Loan Pool Balance is 10% or less than the initial Student Loan Pool Balance.

The notes issued under the 2015 Trust Estate are special limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The notes were issued to retire a portion of the outstanding advances from the Warehouse Facility to the Board. The Trust Estate consists of student loans acquired under the indenture, all proceeds of the notes and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay \$141,079,995 of outstanding student loan backed notes which are payable through fiscal year 2043. Principal and interest paid for the current year and total net revenues before interest expense were \$32,056,299 and \$3,814,428, respectively.

The notes outstanding under the 2015 General Indenture are secured by a pledge of the student loans and other assets of the 2015 Revenue Bond Fund. The 2015 General Indenture contains provision governing events of default and remedies, including the possible remedy of acceleration of amounts due under such notes in certain circumstances and the disposition of assets following events of default.

2016 Revenue Bond Fund – The Program has outstanding student loan backed notes under the authority of the 2016 General Indenture. The notes are limited obligations of the Board and are secured, as provided in the indentures, by all assets of the 2016 Revenue Bond Fund and the revenues and receipts derived from such assets.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

The indenture provides that a periodic analysis of cash receipts must be performed. Cash receipts remaining after the payment of bond costs, program related expenses, and administrative expenses must be used to reduce bond principal.

Notes payable for the 2016 Revenue Bond Fund consisted of the following at June 30, 2020:

<u>Issue</u>	<u>Final Maturity Date</u>	<u>Interest Rate Type</u>	<u>Balance</u>
2016-1 A	9/25/2056	1-Month LIBOR plus 0.75%	\$ 214,100,053
2016-1 B	9/25/2056	1-Month LIBOR plus 1.50%	10,450,000
Total			<u>\$ 224,550,053</u>

Debt Service forecasts to maturity on the Series 2016-1 Notes as of June 30, 2020, are summarized below:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2021	\$ 38,912,236	\$ 1,959,933
2022	39,130,182	1,565,883
2023	33,027,065	1,212,420
2024	27,070,598	940,818
2025	26,273,072	687,025
2026-2029	<u>60,136,900</u>	<u>728,540</u>
Total	<u>\$ 224,550,053</u>	<u>\$ 7,094,619</u>

The debt service interest rate forecasts are calculated using the interest rates in effect at June 30, 2020. Actual results could differ from these estimates.

The Series 2016-1 Notes are subject to an optional prepayment of the notes when the Student Loan Pool Balance is 10% or less than the initial Student Loan Pool Balance.

The notes issued under the 2016 Trust Estate are special limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The notes were issued to retire a portion of the outstanding advances from the Warehouse Facility to the Board. The Trust Estate consists of student loans acquired under the indenture, all proceeds of the notes and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay \$224,550,053 of outstanding student loan backed notes which are payable through fiscal year 2057. Principal and interest paid for the current year and total net revenues before interest expense were \$45,318,374 and \$5,332,102, respectively.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

The notes outstanding under the 2016 General Indenture are secured by a pledge of the student loans and other assets of the 2016 Revenue Bond Fund. The 2016 General Indenture contains provision governing events of default and remedies, including the possible remedy of acceleration of amounts due under such notes in certain circumstances and the disposition of assets following events of default.

2017 Revenue Bond Fund – The Program has outstanding student loan backed notes under the authority of the 2017 General Indenture. The notes are limited obligations of the Board and are secured, as provided in the indentures, by all assets of the 2017 Revenue Bond Fund and the revenues and receipts derived from such assets.

The indenture provides that a periodic analysis of cash receipts must be performed. Cash receipts remaining after the payment of bond costs, program related expenses, and administrative expenses must be used to reduce bond principal.

Notes payable for the 2017 Revenue Bond Fund consisted of the following at June 30, 2020:

<u>Issue</u>	<u>Final Maturity Date</u>	<u>Interest Rate Type</u>	<u>Balance</u>
2017-1 A	1/25/2057	1-Month LIBOR plus 0.75%	\$ 208,901,147
2017-1 B	1/25/2057	1-Month LIBOR plus 1.50%	17,800,000
Total			<u>\$ 226,701,147</u>

Debt Service forecasts to maturity on the Series 2017-1 Notes as of June 30, 2020, are summarized below:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2021	\$ 37,307,440	\$ 2,034,102
2022	37,878,342	1,643,900
2023	32,430,795	1,292,494
2024	27,080,878	1,016,271
2025	26,392,967	756,174
2026-2029	65,610,725	879,055
Total	<u>\$ 226,701,147</u>	<u>\$ 7,621,996</u>

The debt service interest rate forecasts are calculated using the interest rates in effect at June 30, 2020. Actual results could differ from these estimates.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

The Series 2017-1 Notes are subject to an optional prepayment of the notes when the Student Loan Pool Balance is 10% or less than the initial Student Loan Pool Balance.

The notes issued under the 2017 Trust Estate are special limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The notes were issued to retire a portion of the outstanding advances from the Warehouse Facility to the Board. The Trust Estate consists of student loans acquired under the indenture, all proceeds of the notes and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay \$226,701,147 of outstanding student loan backed notes which are payable through fiscal year 2057. Principal and interest paid for the current year and total net revenues before interest expense were \$46,693,536 and \$5,516,479, respectively.

The notes outstanding under the 2017 General Indenture are secured by a pledge of the student loans and other assets of the 2017 Revenue Bond Fund. The 2017 General Indenture contains provision governing events of default and remedies, including the possible remedy of acceleration of amounts due under such notes in certain circumstances and the disposition of assets following events of default.

Office Facility Bond Fund – The Program has issued revenue refunding bonds under the authority of the general indenture dated May 1, 2012 (Series 2012 Bonds). The bonds are special limited obligation bonds of the Board payable primarily from (i) funds of the Board budgeted on an annual basis (including from sources and in the amounts that the Board has, prior to the issuance of the Bonds and acquisition of the Building, used to pay rent for office space) and (ii) other legally available moneys of the Board, including certain revenues and reserves of the Program.

The Board has annually received and anticipates receiving appropriations from the Utah Legislature which are to be applied to the general expenditures of the Board. The State General Fund appropriations for operations to the Board for the five years ended June 30, 2020 are set forth below:

Fiscal Year Ended June 30	General Operating	Restricted	Total Appropriations
2020	\$ 3,192,000	\$ -	\$ 3,192,000
2019	\$ 3,952,000	\$ -	\$ 3,952,000
2018	\$ 3,781,000	\$ -	\$ 3,781,000
2017	\$ 3,735,000	\$ -	\$ 3,735,000
2016	\$ 3,678,000	\$ -	\$ 3,678,000

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

Bonds payable for the Office Facility Bond Fund consisted of the following at June 30, 2020:

<u>Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u>
Series 2012	2/1/2021-2/1/2024	4.0% - 5.0%	\$ 1,980,000

Debt service forecasts to maturity on the Office Facility Bond issue as of June 30, 2020 are summarized below:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2021	\$ 725,000	\$ 81,700
2022	765,000	52,700
2023	240,000	22,100
2024	250,000	12,500
Total	<u>\$ 1,980,000</u>	<u>\$ 169,000</u>

The Series 2012 Bonds are not subject to redemption prior to maturity.

The bonds issued under the Office Facility Bond Fund are limited obligations of the Board secured solely by a pledge of the proceeds from the sale of the bonds and the moneys and revenues in the fund and accounts held by the Trustee under the Indenture. No other money, revenue or income of the Board is pledged to the repayment of the Office Facility Bonds. The bonds were issued to refund the Series 2002 and Series 2004 Bonds. The Board has pledged these assets and net revenues to repay \$1,980,000 of outstanding Office Facility Bonds which are payable through fiscal year 2024. Principal and interest paid for the current fiscal year and total net revenues before interest expense were \$812,788 and \$716,652, respectively.

The 2012 Office Bonds outstanding under the Office Facility Bond Indenture are secured by a pledge of the revenues and funds of the Office Facility Bond Fund. The Office Facility Bond Indenture contains provision governing events of default and remedies, including the possible remedy of acceleration of amounts due under such bonds in certain circumstances and the application of revenues following events of default.

7. SEGMENT INFORMATION

The Board issues student loan revenue bonds and student loan back notes under separate indentures to finance its student loan portfolios. Investors in those bonds and notes rely solely on the revenue generated by the pledged assets in each indenture. The Program assets are only available in accordance with the applicable bond resolutions, federal and Utah state laws, and other outstanding agreements.

STATE BOARD OF REGENTS OF THE STATE OF UTAH STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

Financial information for each indenture and the Program unencumbered funds are presented below:

CONDENSED STATEMENT OF NET POSITION

	Short Term Note Fund	1993 Revenue Bond Fund	2012 Revenue Bond Fund	2014 Revenue Bond Fund	2015 Revenue Bond Fund	2016 Revenue Bond Fund	2017 Revenue Bond Fund	Office Facility Bond Fund
Assets								
Current assets	\$ 60,066,825	\$ 82,521,985	\$ 35,279,546	\$ 24,114,924	\$ 40,035,570	\$ 56,802,931	\$ 55,103,894	\$ 1,753,777
Capital assets	1,711,879	-	-	-	-	-	-	7,340,890
Other noncurrent assets	9,958,277	316,313,876	124,201,987	103,328,590	120,530,178	186,558,413	187,695,012	-
Total Assets	71,736,981	398,835,861	159,481,533	127,443,514	160,565,748	243,361,344	242,798,906	9,094,667
Deferred Outflows of Resources	592,382	-	-	-	-	-	-	-
Liabilities								
Current liabilities	3,498,114	73,235,674	26,564,004	14,766,319	28,131,879	40,914,242	39,266,470	883,579
Noncurrent liabilities	972,949	179,406,017	107,591,992	86,372,954	112,133,717	181,540,421	186,389,817	1,337,528
Total Liabilities	4,471,063	252,641,691	134,155,996	101,139,273	140,265,596	222,454,663	225,656,287	2,221,107
Deferred Inflows of Resources	361,403	23,382,439	-	865,957	-	-	-	-
Net Position:								
Net Investment in Capital Assets	1,711,879	-	-	-	-	-	-	5,248,032
Restricted	-	122,811,731	25,325,537	25,438,284	20,300,152	20,906,681	17,142,619	1,625,528
Unrestricted	65,785,018	-	-	-	-	-	-	-
Total Net Position	\$ 67,496,897	\$ 122,811,731	\$ 25,325,537	\$ 25,438,284	\$ 20,300,152	\$ 20,906,681	\$ 17,142,619	\$ 6,873,560

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Short Term Note Fund	1993 Revenue Bond Fund	2012 Revenue Bond Fund	2014 Revenue Bond Fund	2015 Revenue Bond Fund	2016 Revenue Bond Fund	2017 Revenue Bond Fund	Office Facility Bond Fund
Operating revenues	\$ 28,439,620	\$ 9,859,620	\$ 8,568,977	\$ 5,240,687	\$ 8,559,958	\$ 12,861,852	\$ 12,787,934	\$ 854,131
Operating expenses	30,092,192	9,884,273	8,221,851	4,184,983	8,389,645	13,508,275	13,345,629	197,068
Operating income (loss)	(1,652,572)	(24,653)	347,126	1,055,704	170,313	(646,423)	(557,695)	657,063
Transfers	(335,183)	-	-	-	-	-	-	(14,817)
Change in Net Position	(1,987,755)	(24,653)	347,126	1,055,704	170,313	(646,423)	(557,695)	642,246
Net Position - Beginning of Year	69,484,652	122,836,384	24,978,411	24,382,580	20,129,839	21,553,104	17,700,314	6,231,314
Net Position - End of Year	\$ 67,496,897	\$ 122,811,731	\$ 25,325,537	\$ 25,438,284	\$ 20,300,152	\$ 20,906,681	\$ 17,142,619	\$ 6,873,560

CONDENSED STATEMENT OF CASH FLOWS

	Short Term Note Fund	1993 Revenue Bond Fund	2012 Revenue Bond Fund	2014 Revenue Bond Fund	2015 Revenue Bond Fund	2016 Revenue Bond Fund	2017 Revenue Bond Fund	Office Facility Bond Fund
Cash provided by (used in)								
Operating activities	\$ (5,760,900)	\$ 46,280,231	\$ 23,826,737	\$ 17,425,921	\$ 31,032,669	\$ 44,001,685	\$ 45,126,322	\$ 1,114,124
Noncapital financing activities	(400,566)	(48,340,496)	(24,758,956)	(17,663,601)	(32,087,676)	(45,354,566)	(46,729,408)	(812,788)
Capital and related financing activities	(609,526)	-	-	-	-	-	-	(32,191)
Investing activities	982,562	1,891,744	876,632	275,949	829,245	1,073,023	1,408,774	62,513

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

8. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and notes payable	\$ 1,265,879,755	\$ -	\$ (184,717,621)	\$ 1,081,162,134	\$ 214,072,918
Unamortized premiums	2,128,689	-	(867,308)	1,261,381	557,516
Unamortized discounts	(14,381,384)	-	679,792	(13,701,592)	(679,792)
Net bonds and notes payable	1,253,627,060	-	(184,905,137)	1,068,721,923	213,950,642
Net pension liability	1,342,283	-	(895,141)	447,142	-
Compensated absences	1,104,214	800,788	(677,018)	1,227,984	701,012
Total long-term liabilities	<u>\$ 1,256,073,557</u>	<u>\$ 800,788</u>	<u>\$ (186,477,296)</u>	<u>\$ 1,070,397,049</u>	<u>\$ 214,651,654</u>

9. DESIGNATED AND RESTRICTED NET POSITION

The Program has designated \$65,800,000 of the Short-Term Note Fund Net Position for bond financing, loan repurchases, supplemental loans and working capital.

The Revenue Bond Fund net positions are restricted in total by the general and supplemental indentures (see Note 1).

10. RELATED PARTY TRANSACTIONS

The Program reimburses the University of Utah for payroll, benefits, and certain administrative expenses. The Program incurred \$24,759,898 of such expenses for the year ended June 30, 2020. Of this amount, \$899,507 was payable at June 30, 2020.

The Student Loan Guarantee Program (SLGP), another program of the Board, guarantees student loans held by the Program. Claim payments received from the SLGP amounted to \$17,177,194 for the year ended June 30, 2020. As of June 30, 2020, SLGP owed \$703,113 in defaulted loan claims to the Program. This amount is included in the Student Loan Receivables on the Statement of Net Position.

For the year ended June 30, 2020, the Program charged the Board, the SLGP, and my529 for rent and other services, totaling \$3,251,122. Of this amount, \$439,146 was a receivable at June 30, 2020.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

11. ESTIMATED LIABILITY FOR PURPOSE AND NON-PURPOSE INTEREST
ARBITRAGE REBATE

In accordance with the Internal Revenue Code of 1986, as amended (the Code), the Program is required to pay to the United States Treasury certain amounts related to the Program's tax-exempt bond issues. The estimated amount of non-purpose arbitrage payable represents the excess of amounts earned on taxable investments (other than educational loans) over the interest cost of the tax-exempt borrowing, plus income attributable to the excess. Rebate payments are due every fifth year during the life of each bond issue and when the bonds are retired. At June 30, 2020, there was no liability for non-purpose interest arbitrage rebate.

The Code and the related Treasury Regulations also require the Program to keep the yield to the Program on student loans within a designated percentage of the interest cost of the related tax-exempt borrowing. One method of reducing this yield is to make yield reduction payments to the United States Treasury. Estimated yield reduction payments may be made by the end of the tenth year and every fifth year thereafter during the life of each bond issue and when the bonds are retired. At June 30, 2020, there was no liability for yield reduction payments.

12. RETIREMENT PLANS

Plan Descriptions – As required by State law, eligible nonexempt employees (as defined by the U.S. Fair Labor Standards Act) of the Program are covered either by the Utah Retirement Systems' (the System) State and School Noncontributory pension plan (Noncontributory plan) or the Tier 2 Public Employees Contributory pension plan (Tier 2 plan). The Tier 2 plan became effective July 1, 2011. All eligible employees, beginning on or after July 1, 2011, who had no previous service credit with the System, are members of the Tier 2 plan. Eligible exempt employees (as defined by the U.S. Fair Labor Standards Act) are covered by the Teachers Insurance and Annuity Association (TIAA) or Fidelity Investments (Fidelity).

The Program contributes to the System Noncontributory plan and the Tier 2 plan covering state employee groups, school districts and other local government entities. Those plans are multiple employer, cost-sharing, defined benefit, public employee pension plans. Retirement benefits are determined in accordance with Title 49 of the Utah Code and are based on age, years of credited service and highest average monthly salary.

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated, 1953, as amended. The defined benefit plans of the System may be amended statutorily by the State Legislature. The Utah State Retirement Office Act provides for the administration of the System under the direction of the Utah State Retirement Board, whose members are appointed by the governor.

**STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM**

Notes to the Financial Statements
For the Year Ended June 30, 2020

The System is a component unit of the State of Utah. System funds are fiduciary funds defined as pension (and other employee benefit) trust funds. Chapter 49 of the Utah Code grants authority to establish and amend the benefit terms. The System issues a publicly available financial report that includes financial statements and required supplementary information. A copy of the report may be obtained by contacting the System at 560 East 200 South, Salt Lake City, UT 84102 or visiting the website: www.urs.org.

Benefits and Contributions – The System provides retirement, disability, and death benefits. Retirement benefits, which vest after four years of employment, are as follows:

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefits	Benefit Percent per Year of Service	COLA**
Noncontributory	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2% per year all years	Up to 4%
Tier 2	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

**with actuarial reductions*

***All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) Increase for the year, although unused CPI increases not met may be carried forward to subsequent years.*

As a condition of participation in the System, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the System Board. Contributions are actuarially determined at an amount that is expected to finance the costs and benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

Employer contribution rates during the year ended June 30, 2020 were 22.19% for the System Noncontributory plan and 18.99% for the System Tier 2 plan. The Tier 2 rates include a 9.94% required contribution to finance the unfunded actuarial accrued liability of the Noncontributory plan.

For the year ended June 30, 2020, the Program's contributions to the System Noncontributory plan were \$183,484 based on an actuarially determined 22.19% of participating employee gross earnings. An additional 1.50% was contributed to the employee's 401(k) deferred salary plan.

For the year ended June 30, 2020, the Program's contributions to the System Tier 2 plan were \$183,149 based on an actuarially determined 18.99% of participating employee gross earnings. An additional 1.03% was contributed to the employee's 401(k) deferred salary plan.

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

The Program also contributes to TIAA and Fidelity which provide individual retirement fund contracts with each participating employee. Employees may allocate Program contributions to either or both of the providers and the contributions to the employee contracts become vested at the time contributions are made. Employees are eligible to participate from the date of employment and are not required to contribute to either fund. Benefits provided to retired employees are based on the value of the individual contracts and the estimated life expectancy of the employee at retirement.

For the year ended June 30, 2020, the Program's contributions to the TIAA and Fidelity retirement plans were \$2,103,163 based on 14.20% of participating employee gross earnings. The Program has no further liability once contributions are made.

Net Pension Liability – The net pension liability is calculated annually and was last measured by the System as of December 31, 2019. The total System liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 and rolled forward using generally accepted actuarial procedures. The Program's proportion of the net pension liability is equal to the ratio of the Program actual contributions to the System during the plan year over the total of all employer contributions to the System during the year.

For the year ended June 30, 2020, the Program recognized deductions to the net pension liability of \$835,121 for the Noncontributory plan and \$60,019 for the Tier 2 plan. The deductions were based on the Program's proportion of the System net pension liability as of December 31, 2019. The total net pension liability at June 30, 2020 was \$409,677 for the Noncontributory plan and \$37,465 for the Tier 2 plan totaling \$447,142.

At December 31, 2019, the Program's proportion of the System net pension liability was 0.35% of the Noncontributory plan and 0.17% of the Tier 2 plan. For comparison, at December 31, 2018, the Program's proportion of the System net pension liability was 0.03% of the Noncontributory plan and 0.23% of the Tier 2 plan.

Net Pension Expense – The total employer net pension expense (net pension expense) is calculated annually, and was last measured by the System as of December 31, 2019. For the year ended June 30, 2020, the Program recognized net pension expense of (\$695,657) for the Noncontributory plan and \$25,043 for the Tier 2 plan totaling (\$670,614).

The net pension expense contains the following System components: normal cost (annual cost of current service); plus interest on total pension liability; plus amortization of experience gains/losses, changes in assumptions, and changes in plan benefits; less expected return on plan assets.

Pension – Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2020, the Program recognized deferred outflows of resources (deferred outflows) and deferred inflows of resources (deferred inflows) as follows:

**STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM**

Notes to the Financial Statements
For the Year Ended June 30, 2020

	Noncontributory Plan	Tier 2 Plan	Total
Deferred Outflows:			
Differences Between Expected and Actual Experience	\$ 338,499	\$ -	\$ 338,499
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-	-
Changes in Assumptions	37,131	15,997	53,128
Changes in Proportion	-	23,719	23,719
Contributions Subsequent to the Measurement Date	<u>91,584</u>	<u>85,452</u>	<u>177,036</u>
Total	<u>\$ 467,214</u>	<u>\$ 125,168</u>	<u>\$ 592,382</u>
Deferred Inflows:			
Differences Between Expected and Actual Experience	\$ (3,930)	\$ (12,858)	\$ (16,788)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	(244,229)	(18,318)	(262,547)
Changes in Assumptions	-	(12,763)	(12,763)
Changes of Proportion	<u>(69,305)</u>	<u>-</u>	<u>(69,305)</u>
Total	<u>\$ (317,464)</u>	<u>\$ (43,939)</u>	<u>\$ (361,403)</u>

The Program recognized deferred outflows of \$177,036 in the preceding schedule resulting from contributions made subsequent to the December 31, 2019 System measurement date. Those contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The other deferred outflows and inflows recognized in the preceding schedule will be recognized in future years pension expense as follows:

<u>Year ended June 30:</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2021	\$12,990
2022	12,990
2023	12,990
2024	12,990
2025	12,990
Thereafter	<u>(11,007)</u>
Total	<u>\$53,943</u>

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

Actuarial Assumptions – The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: inflation 2.50%, salary increases 3.25% - 9.75% including inflation, and investment rate of return 6.95% net of pension plan investment expense including inflation.

The assumptions used in the January 1, 2019 actuarial valuation date were based on the results of a System actuarial experience study for the five year period ended December 31, 2016.

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The following actuarial assumptions were adopted on January 1, 2019: the investment return assumption remained unchanged at 6.95%; and the assumed inflation rate also remained unchanged at 2.50%. With the same assumed rate of inflation, both the payroll growth and wage inflation assumptions remained the same as the prior year assumptions.

The long-term expected rate of return on System pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Utah Retirement Systems	Target Asset Allocation	Real Return Arithmetic Basis	Long-term Expected Real Rate of Return
Equity Securities	40%	6.15%	2.46%
Debt Securities	20	0.40	0.08
Real Assets	15	5.75	0.86
Private Equity	9	9.95	0.89
Absolute Return	16	2.85	0.46
Cash and Cash Equivalents	0	0.00	0.00
Total	100%		4.75%
	Inflation		<u>2.50</u>
	Expected Arithmetic Nominal Return		<u>7.25%</u>

**STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM**

Notes to the Financial Statements
For the Year Ended June 30, 2020

The total System long-term expected rate of return is 6.95%, which is comprised of a 2.50% inflation rate, an offset of 0.35% for administrative and investment expenses, and a real long-term expected rate of return of 4.80%.

Discount Rate – The discount rate used to measure the total System pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at actuarially determined, contractually required rates.

Based on those assumptions, the System pension plan fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the Program’s proportionate share of the System net pension liability, at December 31, 2019. This is calculated using the discount rate of 6.95%, as well as what the Program’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

	1% Decrease <u>(5.95%)</u>	Current Discount Rate <u>(6.95%)</u>	1% Increase <u>(7.95%)</u>
Program’s Proportionate Share Of the Net Pension Liability:			
Noncontributory Plan	\$1,348,512	\$409,677	\$(371,519)
Tier 2 Plan	<u>323,074</u>	<u>37,465</u>	<u>(183,259)</u>
Total	<u>\$1,671,586</u>	<u>\$447,142</u>	<u>\$(554,778)</u>

13. LEASE COMMITMENTS

The Program leases office equipment and a building which are classified as operating leases. Lease payments, recorded as expenses when incurred, totaled \$601,224 for the year ended June 30, 2020. Future minimum lease commitments are as follows:

<u>Year ended June 30:</u>	<u>Operating</u>	<u>Capital</u>
2021	\$ 628,387	-
2022	644,657	-
Total	<u>\$ 1,273,044</u>	<u>\$ -</u>

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2020

14. RISK MANAGEMENT

As a State entity, the Program participates in the Utah State Risk Management Fund (the Fund). The Program pays an annual premium for participation in the Fund. Through the Fund, the Program has both property and liability coverage.

The Fund provides property coverage through a combination of self-insurance and private carriers. The Fund provides liability coverage through self-insurance and private carriers up to \$10,000,000 per occurrence.

15. SUBSEQUENT EVENT

On September 25, 2020, the Program drew \$218,000,000 from a warehouse financing with a four month term to redeem several series of bonds within its 1993 indenture and defease the 2010 EE bonds issued under the 1993 indenture in preparation for a November 1, 2020 redemption. This transaction also resulted in the termination of the two interest rate swap agreements on the Series 2010 EE Bonds in the 1993 indenture.

16. COVID-19 CONSIDERATIONS

The outbreak of the 2019 coronavirus disease (“COVID-19”) was declared a global pandemic by the World Health Organization on March 11, 2020. Responses by public health and governmental authorities to contain and combat its outbreak and spread are on-going. The pandemic has adversely affected workforces, economies, and financial markets globally, including the student loan industry.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of the pandemic on the Program and its financial results will depend on future developments, including the duration and spread of the outbreak and the related impact it may have on student loan borrower confidence, all of which are uncertain at this time.

REQUIRED SUPPLEMENTARY INFORMATION

Program's Proportionate Share of the Net Pension Liability
and
Program's Defined Benefit Pension Contributions

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Required Supplementary Information
For the Year Ended June 30, 2020

Proportionate Share of the Net Pension Liability – A schedule of the Program’s proportionate share of the net pension liability follows:

	Noncontributory	Tier 2	
	Plan	Plan	Total
Program Proportion of the Net Pension Liability:			
December 31, 2019	0.35%	0.17%	-
December 31, 2018	0.03%	0.23%	-
December 31, 2017	0.04%	0.34%	-
December 31, 2016	0.04%	0.58%	-
December 31, 2015	0.05%	0.80%	-
December 31, 2014	0.04%	0.62%	-
Program Proportionate Share of the Net Pension Liability (Asset):			
December 31, 2019	\$409,677	\$37,465	\$447,142
December 31, 2018	\$1,244,799	\$97,484	\$1,342,283
December 31, 2017	\$902,641	\$30,132	\$932,773
December 31, 2016	\$1,371,835	\$64,547	\$1,436,382
December 31, 2015	\$1,464,785	(\$1,740)	\$1,463,045
December 31, 2014	\$1,062,126	(\$18,893)	\$1,043,233
Program Covered Payroll:			
December 31, 2019	\$764,175	\$1,039,890	\$1,804,065
December 31, 2018	\$960,152	\$1,158,362	\$2,118,514
December 31, 2017	\$1,030,080	\$1,404,505	\$2,434,585
December 31, 2016	\$1,171,140	\$1,967,328	\$3,138,468
December 31, 2015	\$1,260,380	\$2,150,735	\$3,411,115
December 31, 2014	\$1,118,932	\$1,356,212	\$2,475,144
Program Proportionate Share of the Net Pension Liability (Asset)			
As a Percentage of Covered Payroll:			
December 31, 2019	53.61%	3.60%	-
December 31, 2018	129.64%	8.41%	-
December 31, 2017	87.62%	2.14%	-
December 31, 2016	117.13%	3.28%	-
December 31, 2015	116.22%	-0.08%	-
December 31, 2014	94.92%	-1.39%	-
Plan Fiduciary Net Position as a Percentage of Total Pension Liability:			
December 31, 2019	94.20%	96.50%	-
December 31, 2018	84.10%	90.80%	-
December 31, 2017	89.20%	97.40%	-
December 31, 2016	84.90%	95.10%	-
December 31, 2015	84.50%	100.20%	-
December 31, 2014	87.20%	103.50%	-

Amounts were presented for the System years ended December 31, 2014 through 2019. Going forward, a full 10-year schedule will be presented as it becomes available.

Details regarding actuarial assumptions can be found in Footnote 12 which precedes this section of the statements.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Required Supplementary Information
For the Year Ended June 30, 2020

Defined Benefit Pension Contributions – A schedule of the Program’s pension contributions to the System follows:

	Noncontributory Plan	Tier 2 Plan	Total
Contractually Required Program Contributions:			
June 30, 2020	\$183,484	\$183,149	\$366,633
June 30, 2019	\$202,374	\$231,408	\$433,782
June 30, 2018	\$238,644	\$251,281	\$489,925
June 30, 2017	\$249,016	\$294,983	\$543,999
June 30, 2016	\$292,406	\$475,577	\$767,983
June 30, 2015	\$299,848	\$318,563	\$618,411
Program Contributions in Relation to the Contractually Required Contributions:			
June 30, 2020	(183,484)	(183,149)	(\$366,633)
June 30, 2019	(202,374)	(231,408)	(\$433,782)
June 30, 2018	(238,644)	(251,281)	(\$489,925)
June 30, 2017	(249,016)	(294,983)	(\$543,999)
June 30, 2016	(292,406)	(475,577)	(\$767,983)
June 30, 2015	(299,848)	(318,563)	(\$618,411)
Program Contribution Deficiency (Excess):			
June 30, 2020	\$0	\$0	\$0
June 30, 2019	\$0	\$0	\$0
June 30, 2018	\$0	\$0	\$0
June 30, 2017	\$0	\$0	\$0
June 30, 2016	\$0	\$0	\$0
June 30, 2015	\$0	\$0	\$0
Program Covered Payroll:			
June 30, 2020	\$774,521	\$914,830	\$1,689,351
June 30, 2019	\$854,259	\$1,155,884	\$2,010,143
June 30, 2018	\$1,007,362	\$1,255,150	\$2,262,512
June 30, 2017	\$1,051,144	\$1,473,442	\$2,524,586
June 30, 2016	\$1,234,301	\$2,375,509	\$3,609,810
June 30, 2015	\$1,265,715	\$1,611,345	\$2,877,060
Program Contributions as a Percentage of Covered Payroll:			
June 30, 2020	23.69%	20.02%	-
June 30, 2019	23.69%	20.02%	-
June 30, 2018	23.69%	20.02%	-
June 30, 2017	23.69%	20.02%	-
June 30, 2016	23.69%	20.02%	-
June 30, 2015	23.69%	19.77%	-

Amounts were presented for the years ended June 30, 2015 through 2020. Going forward, a full 10-year schedule will be presented as it becomes available.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Required Supplementary Information
For the Year Ended June 30, 2020

Note to Required Supplementary Information

The following actuarial assumption changes were adopted on January 1, 2019: the investment return assumption remained unchanged at 6.95%; and the assumed inflation rate also remained unchanged at 2.50%. With the same assumed rate of inflation, both the payroll growth and wage inflation assumptions remained the same as the prior year assumptions.

SUPPLEMENTAL SCHEDULES

Combining Financial Statements

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Combining Statement of Net Position
June 30, 2020

	Short-Term Note Fund	1993 Revenue Bond Fund	2012 Revenue Bond Fund	2014 Revenue Bond Fund	2015 Revenue Bond Fund	2016 Revenue Bond Fund	2017 Revenue Bond Fund	Office Facility Bond Fund	Total
ASSETS									
Current Assets									
Cash and cash equivalents	\$ 48,988,536	\$ 237,079	\$ 87,374	\$ 140,286	\$ 75,378	\$ 154,708	\$ 205,417	\$ 868,115	\$ 50,756,893
Funds held by Trustee	-	33,964,442	2,869,713	1,994,662	3,597,034	5,375,406	4,502,500	840,294	53,144,051
Receivables									
Student loans	2,633,795	41,039,781	27,249,033	18,456,164	31,036,205	43,189,992	42,048,796	-	205,653,766
Interest - student loans	757,118	6,549,005	5,072,848	3,523,378	5,321,108	8,079,094	8,340,839	-	37,643,390
Due from counterparty	-	725,102	-	-	-	-	-	-	725,102
Other receivables	6,825,677	6,576	-	-	-	-	-	45,368	6,877,621
Prepaid expenses	861,699	-	578	434	5,845	3,731	6,342	-	878,629
Total Current Assets	60,066,825	82,521,985	35,279,546	24,114,924	40,035,570	56,802,931	55,103,894	1,753,777	355,679,452
Noncurrent Assets									
Student loans receivable	9,958,277	299,465,247	124,201,987	103,328,590	120,530,178	186,558,413	187,695,012	-	1,031,737,704
Derivative instrument - interest rate swap	-	16,848,629	-	-	-	-	-	-	16,848,629
Capital assets, less accumulated depreciation of \$9,617,958	1,711,879	-	-	-	-	-	-	7,340,890	9,052,769
Total Noncurrent Assets	11,670,156	316,313,876	124,201,987	103,328,590	120,530,178	186,558,413	187,695,012	7,340,890	1,057,639,102
TOTAL ASSETS	71,736,981	398,835,861	159,481,533	127,443,514	160,565,748	243,361,344	242,798,906	9,094,667	1,413,318,554
DEFERRED OUTFLOWS OF RESOURCES									
Deferred pension expense	592,382	-	-	-	-	-	-	-	592,382
TOTAL DEFERRED OUTFLOWS OF RESOURCES	592,382	-	592,382						
LIABILITIES									
Current Liabilities									
Accounts payable	1,886,409	536,498	119,459	163,510	88,513	173,921	178,252	81,964	3,228,526
Special allowance	20,860	443,961	1,073,495	365,846	1,266,159	1,908,044	1,827,666	-	6,906,031
Payable to affiliate	893,499	-	-	-	-	-	-	6,008	899,507
Compensated absences	695,942	-	-	-	-	-	-	5,070	701,012
Other liabilities	1,404	-	-	-	-	-	-	-	1,404
Accrued interest payable	-	1,412,213	20,706	12,315	20,074	36,279	37,530	34,042	1,573,159
Bonds and notes payable	-	70,843,002	25,350,344	14,224,648	26,757,133	38,795,998	37,223,022	756,495	213,950,642
Total Current Liabilities	3,498,114	73,235,674	26,564,004	14,766,319	28,131,879	40,914,242	39,266,470	883,579	227,260,281
Noncurrent Liabilities									
Compensated absences	525,807	-	-	-	-	-	-	1,165	526,972
Net pension liability	447,142	-	-	-	-	-	-	-	447,142
Bonds and notes payable, net of unamortized premiums and discounts of \$12,440,211	-	179,406,017	107,591,992	86,372,954	112,133,717	181,540,421	186,389,817	1,336,363	854,771,281
Total Noncurrent Liabilities	972,949	179,406,017	107,591,992	86,372,954	112,133,717	181,540,421	186,389,817	1,337,528	855,745,395
TOTAL LIABILITIES	4,471,063	252,641,691	134,155,996	101,139,273	140,265,596	222,454,663	225,656,287	2,221,107	1,083,005,676
DEFERRED INFLOWS OF RESOURCES									
Deferred interest rate swap income	-	16,848,629	-	-	-	-	-	-	16,848,629
Deferred gain on bond refundings	-	6,533,810	-	865,957	-	-	-	-	7,399,767
Deferred pension income	361,403	-	-	-	-	-	-	-	361,403
TOTAL DEFERRED INFLOWS OF RESOURCES	361,403	23,382,439	-	865,957	-	-	-	-	24,609,799
NET POSITION									
Net investment in capital assets	1,711,879	-	-	-	-	-	-	5,248,032	6,959,911
Restricted	-	122,811,731	25,325,537	25,438,284	20,300,152	20,906,681	17,142,619	1,625,528	233,550,532
Unrestricted	65,785,018	-	-	-	-	-	-	-	65,785,018
TOTAL NET POSITION	\$ 67,496,897	\$ 122,811,731	\$ 25,325,537	\$ 25,438,284	\$ 20,300,152	\$ 20,906,681	\$ 17,142,619	\$ 6,873,560	\$ 306,295,461

**STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM**

Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020

	Short-Term Note Fund	1993 Revenue Bond Fund	2012 Revenue Bond Fund	2014 Revenue Bond Fund	2015 Revenue Bond Fund	2016 Revenue Bond Fund	2017 Revenue Bond Fund	Office Facility Bond Fund	Total
OPERATING REVENUES									
Interest on student loans	\$ 684,435	\$ 9,371,049	\$ 8,503,143	\$ 5,200,139	\$ 8,482,710	\$ 12,747,153	\$ 12,677,579	\$ -	\$ 57,666,208
Federal loan servicing revenue	24,176,531	-	-	-	-	-	-	-	24,176,531
Investment income	982,562	488,571	65,834	40,548	77,248	114,699	110,355	30,555	1,910,372
Other revenue	2,596,092	-	-	-	-	-	-	823,576	3,419,668
Total Operating Revenues	28,439,620	9,859,620	8,568,977	5,240,687	8,559,958	12,861,852	12,787,934	854,131	87,172,779
OPERATING EXPENSES									
Interest expense	-	7,040,920	3,394,815	2,303,815	3,644,115	5,978,525	6,074,174	59,589	28,495,953
Bond and financing related expense	68,191	51,595	31,361	30,284	32,676	35,836	37,137	1,400	288,480
Special allowance	51,369	(541,123)	3,297,806	770,447	3,821,329	5,701,235	5,402,140	-	18,503,203
Student loan servicing expense	(168,066)	2,946,935	1,276,905	937,999	646,916	1,448,223	1,450,357	-	8,539,269
General and administrative expense	2,474,169	386,753	170,254	122,020	160,067	241,371	241,726	(281,155)	3,515,205
Federal loan servicing expense	26,929,157	-	-	-	-	-	-	-	26,929,157
Depreciation expense	731,768	-	-	-	-	-	-	417,234	1,149,002
Uninsured claims expense	5,604	(807)	50,710	20,418	84,542	103,085	140,095	-	403,647
Total Operating Expenses	30,092,192	9,884,273	8,221,851	4,184,983	8,389,645	13,508,275	13,345,629	197,068	87,823,916
OPERATING INCOME (LOSS)	(1,652,572)	(24,653)	347,126	1,055,704	170,313	(646,423)	(557,695)	657,063	(651,137)
Transfer to Utah System of Higher Education	(250,000)	-	-	-	-	-	-	-	(250,000)
Transfers - UHEAA Grants	(100,000)	-	-	-	-	-	-	-	(100,000)
Transfers - Intrafund	14,817	-	-	-	-	-	-	(14,817)	-
CHANGES IN NET POSITION	(1,987,755)	(24,653)	347,126	1,055,704	170,313	(646,423)	(557,695)	642,246	(1,001,137)
NET POSITION – Beginning of Year	69,484,652	122,836,384	24,978,411	24,382,580	20,129,839	21,553,104	17,700,314	6,231,314	307,296,598
NET POSITION – End of Year	\$ 67,496,897	\$ 122,811,731	\$ 25,325,537	\$ 25,438,284	\$ 20,300,152	\$ 20,906,681	\$ 17,142,619	\$ 6,873,560	\$ 306,295,461

**STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM**

Combining Statement of Cash Flows
For the Year Ended June 30, 2020

	Short-Term Note Fund	1993 Revenue Bond Fund	2012 Revenue Bond Fund	2014 Revenue Bond Fund	2015 Revenue Bond Fund	2016 Revenue Bond Fund	2017 Revenue Bond Fund	Office Facility Bond Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Principal received on student loans	\$ 2,419,714	\$ 47,090,628	\$ 26,822,759	\$ 17,248,447	\$ 30,488,588	\$ 43,608,613	\$ 44,392,654	\$ -	\$ 212,071,403
Interest received on student loans	236,757	4,187,347	4,332,998	2,500,293	4,942,531	7,200,862	7,237,629	-	30,638,417
Special allowance payments	(30,630)	1,937,317	(2,739,217)	(372,310)	(3,223,298)	(4,769,568)	(4,475,995)	-	(13,673,701)
Net borrower payments received for (sent to) related funds	(114,059)	-	-	-	-	-	-	-	(114,059)
Payments received for internal services	2,020,002	-	-	-	-	-	-	-	2,020,002
Payments for loan purchases	(2,880,978)	(3,573,900)	(3,127,472)	(881,219)	(354,238)	(326,931)	(313,739)	-	(11,458,477)
Payments for student loan servicing expense	219,131	(2,971,156)	(1,290,292)	(946,622)	(658,666)	(1,466,821)	(1,469,337)	-	(8,583,763)
Payments for general and administrative expense	(3,216,124)	(390,005)	(172,039)	(122,668)	(162,248)	(244,470)	(244,890)	286,294	(4,266,150)
Payments for federal loan servicing expense	(26,487,393)	-	-	-	-	-	-	-	(26,487,393)
Payments received for federal loan servicing revenue	22,944,046	-	-	-	-	-	-	-	22,944,046
Payments received for rental revenue	-	-	-	-	-	-	-	827,830	(827,830)
Payments for student loan disbursements	(871,366)	-	-	-	-	-	-	-	(871,366)
Cash provided by (used in) operating activities	(5,760,900)	46,280,231	23,826,737	17,425,921	31,032,669	44,001,685	45,126,322	1,114,124	203,046,789
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Transfer to Utah System of Higher Education	(250,000)	-	-	-	-	-	-	-	(250,000)
Transfer for UHEAA Grants	(100,000)	-	-	-	-	-	-	-	(100,000)
Principal paid on bonds and notes	-	(39,100,000)	(21,271,832)	(15,238,043)	(28,441,864)	(39,352,321)	(40,784,775)	(715,000)	(184,903,835)
Interest paid on bonds and notes	-	(9,188,901)	(3,455,184)	(2,395,345)	(3,614,435)	(5,966,053)	(5,908,761)	(97,788)	(30,626,467)
Payments for bond related expense	(50,566)	(51,595)	(31,940)	(30,213)	(31,377)	(36,192)	(35,872)	-	(267,755)
Cash used in noncapital financing activities	(400,566)	(48,340,496)	(24,758,956)	(17,663,601)	(32,087,676)	(45,354,566)	(46,729,408)	(812,788)	(216,148,057)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition of capital assets	(609,526)	-	-	-	-	-	-	(32,191)	(641,717)
Cash used in capital and related financing activities	(609,526)	-	-	-	-	-	-	(32,191)	(641,717)
CASH FLOWS FROM INVESTING ACTIVITIES									
Proceeds from maturing investments	-	57,257,272	29,014,796	20,120,839	36,465,192	52,369,695	53,512,902	814,315	249,555,011
Interest received on investments	982,562	500,043	65,834	40,548	77,248	114,699	110,355	30,555	1,921,844
Purchases of investments	-	(55,865,571)	(28,203,998)	(19,885,438)	(35,713,195)	(51,411,371)	(52,214,483)	(782,357)	(244,076,413)
Cash provided by investing activities	982,562	1,891,744	876,632	275,949	829,245	1,073,023	1,408,774	62,513	7,400,442
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,788,430)	(168,521)	(55,587)	38,269	(225,762)	(279,858)	(194,312)	331,658	(6,342,543)
CASH AND CASH EQUIVALENTS – Beginning of Year	54,776,966	405,600	142,961	102,017	301,140	434,566	399,729	536,457	57,099,436
CASH AND CASH EQUIVALENTS – End of Year	\$ 48,988,536	\$ 237,079	\$ 87,374	\$ 140,286	\$ 75,378	\$ 154,708	\$ 205,417	\$ 868,115	\$ 50,756,893

(continued next page)

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Combining Statement of Cash Flows
For the Year Ended June 30, 2020

(continued)

	Short-Term Note Fund	1993 Revenue Bond Fund	2012 Revenue Bond Fund	2014 Revenue Bond Fund	2015 Revenue Bond Fund	2016 Revenue Bond Fund	2017 Revenue Bond Fund	Office Facility Bond Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES									
Operating income (loss)	\$ (1,652,572)	\$ (24,653)	\$ 347,126	\$ 1,055,704	\$ 170,313	\$ (646,423)	\$ (557,695)	\$ 657,063	\$ (651,137)
Adjustments to reconcile income (loss) to net cash provided by (used in) operating activities									
Amortization and depreciation	731,768	(452,794)	-	-	96,117	116,238	84,418	385,738	961,485
Interest expense for noncapital and capital financing	-	7,493,714	3,394,815	2,303,815	3,547,998	5,862,287	5,989,756	91,085	28,683,470
Interest revenue from nonoperating investing activities	(982,562)	(488,571)	(65,834)	(40,548)	(77,248)	(114,699)	(110,355)	(30,555)	(1,910,372)
Bond related expense	68,191	51,595	31,361	30,284	32,676	35,836	37,137	1,400	288,480
Net pension expense	(670,614)	-	-	-	-	-	-	(14,817)	(685,431)
Change in assets/liabilities:									
Student loans receivable	(1,414,394)	39,664,051	20,209,190	14,170,352	27,031,811	38,434,210	39,157,970	-	177,253,190
Borrower interest receivable	(308,701)	(1,302,683)	(633,763)	(475,535)	(350,930)	(591,000)	(373,086)	-	(4,035,698)
Special allowance	20,739	1,396,195	558,589	398,137	598,031	931,667	926,144	-	4,829,502
Other receivables	(1,452,974)	-	-	-	-	-	-	4,253	(1,448,721)
Prepaid expenses	(104,653)	-	-	-	-	-	-	-	(104,653)
Accounts payable and payable to affiliate	4,872	(56,623)	(14,747)	(16,288)	(16,099)	(26,431)	(27,967)	19,957	(133,326)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (5,760,900)	\$ 46,280,231	\$ 23,826,737	\$ 17,425,921	\$ 31,032,669	\$ 44,001,685	\$ 45,126,322	\$ 1,114,124	\$ 203,046,789



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Utah Board of Higher Education,
The UHEAA Audit Committee, and
David R. Woolstenhulme, Commissioner of Higher Education
Salt Lake City, Utah

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the State Board of Regents of the State of Utah Student Loan Purchase Program (the Program) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated September 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Salt Lake City, Utah
September 30, 2020